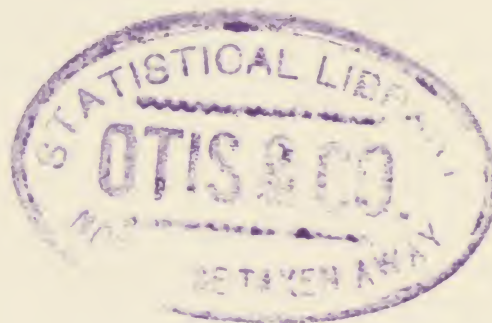


FIFTH
ANNUAL REPORT
OF
JEWEL TEA CO., INC.



1920



JEWEL TEA CO., INC.

GENERAL OFFICES:

5 NORTH WABASH AVENUE

CHICAGO, ILLINOIS

DIRECTORS

H. S. BOWERS	HERBERT H. LEHMAN
RAYMOND E. DURHAM	CHARLES W. LITSEY
JOHN M. HANCOCK	F. P. ROSS
ARTHUR LEHMAN	ARTHUR SACHS
O. B. WESTPHAL	

OFFICERS

RAYMOND E. DURHAM, President
JOHN M. HANCOCK, Vice President and Treasurer
O. B. WESTPHAL, Vice President
HAROLD F. LINDLEY, Secretary
A. V. JANOTTA, Assistant Secretary
F. M. KASCH, Assistant Treasurer

TRANSFER AGENT:

COLUMBIA TRUST COMPANY, 60 Broadway, New York City

REGISTRAR:

LAWYERS TITLE & TRUST CO., 160 Broadway, New York City

AUDITORS:

TOUCHE, NIVEN & CO., Public Accountants
New York and Chicago

Chicago, March 16, 1921.

To the Stockholders of the

JEWEL TEA CO., INC.:

The annual report, including the financial result of the operations of your Company for the fiscal year ended December 31, 1920, and the balance sheet of that date is herewith presented.

The net loss including special charge offs for the year amounted to \$2,183,506.30. The charges include the adjustment in inventory to a market or cost basis, whichever is the lower, and the loss resulting and anticipated from the liquidation of losing branches which constituted about one-third of the Company's total business. In addition thereto Branch development expenses carried forward from previous years, amounting to \$112,586.98, were written off during the year.

The conditions surrounding the tea and coffee business during the year 1920 were probably more unfavorable than at any other time in the history of your Company. The cost of doing business was at its extreme peak. During the first nine months of the year suitable labor was extremely difficult to procure, even though your Company was then paying the highest wages in its history. The market prices on practically all commodities dealt in dropped radically during the latter part of the year.

Approximately one-third of the branches operated by your Company have been established since the beginning of the World War and they have continuously operated at a loss. When the results of operations for the first six months of the year became available it became apparent that our financial condition was such that the large sum of money required for development and promotion work necessary to place these branches on a paying basis could not be provided. On the recommendations of the Officers of your Company, your Board of Directors adopted the only alternative plan of placing the business on a satisfactory basis by entering into a retrenchment program. This necessitated the discontinuance and liquidation of the more unprofitable branches, the discontinuance of the factories at New Orleans and San Francisco, and the maximum reduction in the personnel and expense of the entire business.

A very considerable reduction in expense has been effected. The coffee market conditions have become more favorable. During the past few months our labor conditions have greatly improved, and although general business conditions have been unfavorable, resulting in a large number of our customers being out of employment, the business of your Company is showing improvement.

The retrenchment program has already been consummated and the wisdom of our action has been demonstrated, as losses during the last months of the year have been gradually reduced. Since the first of this year, the operations of the business have shown a moderate profit.

By means of temporary loans up to \$450,000.00 secured through its bankers, your Company was able to pay off One Million Dollars in Gold Notes which matured in 1920. These temporary loans were paid in full prior to February 1, 1921. The Company has been able to maintain a constant record of discounting and paying all accounts on time. At present there is no outstanding indebtedness other than the remaining Gold Notes and our current accounts.

The turn over in the business was formerly only twice a year. The inventory has gradually been reduced and purchasing and distribution methods improved until your Company is now in position to turn its stock at the rate of four or five times a year.

During the past year substantial amounts have been realized on the claim against the government to cover loss due to the commandeering of the Hoboken plant and there is reason to expect still further payments in this connection during the coming year. In the meantime the temporary plant at Newark has been sold and operations in the Hoboken plant have been restored.

Your Directors and Officers take pleasure in acknowledging the efficient and loyal service of the employees during the past year and their sustain response to the exacting requirements of the trying conditions through which the business has passed.

For the Board of Directors of the Jewel Tea Co., Inc.,

RAYMOND E. DURHAM, President.

JEWEL TEA BALANCE SHEET—

ASSETS

CURRENT ASSETS:

Inventories—

Products Merchandise.....	\$ 2,447,330.14
Premium Merchandise.....	657,101.11

\$ 3,104,431.25

(Inventories, reduced by \$690,098.98, on basis of Market or Cost whichever is lower).

Liquidation value of Accounts Receivable, Inventories and Chattels at Branches—

Realized in Cash after December 31st, 1920.....	\$101,977.71
Transferred to other Branches at Cost.....	30,388.59

132,366.30

Accounts and Notes Receivable (less Reserve).....	588,375.29
Trust Fund Investments (Surety Deposits, per contra).....	47,015.18
Cash at Banks, on Hand and in Transit.....	498,369.51

Total Current Assets..... \$ 4,370,557.53

DEFERRED CHARGES:

Premium Merchandise (at Cost) advanced to customers (less Reserve)..	\$ 371,601.79
Discount on 6% Gold Notes, proportion unamortized.....	55,575.94
Claim for Federal Taxes Recoverable.....	104,653.45
Inventories of Expense Supplies.....	44,168.77
Unexpired Insurance and Prepaid Interest.....	24,764.44
Leasehold Purchases and Improvement Expenses.....	37,173.18

Total Deferred Charges..... 637,937.57

CAPITAL ASSETS (less Depreciation Reserves):

Machinery, Furniture and Fixtures at Plants.....	\$ 201,530.33
Horses, Wagons and Miscellaneous Chattels at Chicago and Branches...	669,875.91

\$ 871,406.24

Goodwill	12,000,000.00
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Total Capital Assets..... 12,871,406.24

DEFICIT, December 31st, 1920..... 1,507,288.50

\$19,387,189.84

We have audited the books and accounts of the Jewel Tea Co., Inc., for the year ended
Account are in accordance therewith and exhibit, in our opinion, the correct statement of
ended, after writing off the sum of \$326,970.53 to cover the resulting and anticipated loss
Branch Development Expenses amounting to \$112,586.98 carried forward from previous

CHICAGO, March 16th, 1921.

EA CO., INC.
DECEMBER 31, 1920

LIABILITIES

CURRENT LIABILITIES:

Letters of Credit and Acceptances.....	\$	511,448.26	
Notes Payable (<i>Paid during January 1921</i>).....		450,000.00	
Accounts Payable.....		179,899.39	
Accrued Wages and Taxes.....		3,888.19	
Accrued Interest on Gold Notes, Including Coupons not presented....		25,150.00	
Surety Deposits (Specific Fund, per contra).....		47,015.18	
Reserve for Redemption of Profit Sharing Coupons.....		29,788.82	
Total Current Liabilities.....	\$		1,247,189.84

SERIAL SIX PER CENT GOLD NOTES..... \$ 3,500,000.00

Less: Redeemed and Cancelled—

May 1st, 1920.....	\$500,000.00		
Nov. 1st, 1920.....	500,000.00	1,000,000.00	2,500,000.00
Maturing—			
May 1st, 1921.....	\$	750,000.00	
Nov. 1st, 1921.....		750,000.00	
May 1st, 1922.....		1,000,000.00	
			\$ 2,500,000.00

CAPITAL STOCK:

Authorized and Issued:

7% Cumulative Preferred Stock, 40,000 Shares of \$100.00 each.....	\$	4,000,000.00	
Whereof: Retired and Cancelled.....		360,000.00	
Balance Outstanding.....	\$	3,640,000.00	
Common Stock—120,000 Shares of \$100.00 each.....		12,000,000.00	
Total Capital Stock.....			15,640,000.00

Note:—Preferred Stock Dividend in arrears since October 1st, 1919—

cumulative amount at December 31st, 1920.....	\$	318,500.00
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\$19,387,189.84

December 31st, 1920, and hereby certify that the accompanying Balance Sheet and Deficit of the financial position of the Company at that date and of its operations for the year then ending from the closing out and liquidation of unprofitable branches and also after writing off losses.

TOUCHE, NIVEN & CO.,
Public Accountants.

JEWEL TEA CO., INC.

DEFICIT ACCOUNT

CURRENT SURPLUS:

Balance, December 27th, 1919..... \$ 51,666.28

Deduct—

Net Operating Loss for year ended December 31, 1920..... \$1,709,935.31

Reduction of Inventories from Cost to Market Value..... 690,098.98

Loss on liquidation of Branch Agencies to cover resulting
and anticipated losses from the closing out and liquidation
of unprofitable branches..... 326,970.53

Total \$2,727,004.82

Less—Miscellaneous Income, including profit from sale of Land
and Buildings and reimbursement for use and occupancy of
Hoboken Plant..... 543,498.52

Total Losses for Year..... 2,183,506.30

\$2,131,840.02

Add—Balance of Deferred Development Expense written off, carried forward
from previous years..... 112,586.98

Deficit at December 31, 1920..... \$2,244,427.00

CAPITAL SURPLUS:

Balance December 28, 1919..... 737,138.50

Net Deficit at December 31, 1920..... \$1,507,288.50





